

Message Text

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44

ACTION EUR-12

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 1930

INFO AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY WARSAW

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AMCONSUL ZAGREB

UNCLAS BELGRADE 0599

E.O. 11652: N/A

TAGS: ETRD, EFIN, EGNE, YO

SUBJ: PRICE AND TAX MEASURES TO ADJUST CONSUMPTION
AND REDUCE IMPORTS

1. SUMMARY: GOY HAS INCREASED PRICES AND TURN-
OVER TAXES ON COFFEE, CIGARETTES, DIESEL OIL AND
IMPORTED LUXURY ITEMS, AND REDUCED TAXES ON
DOMESTICAT-PRODUCED AUTOMOBILES, SOME HOME
APPLIANCES AND OTHER CONSUMER GOODS. PURPOSE OF
MEASURES IS TO REDUCE IMPORTS, STIMULATE LAGGING
AUTOMOBILE PRODUCTION AND RAISE REVENUE. END SUMMARY.

2. FEDERAL EXECUTIVE COUNCIL HAS DECIDED ON
INCREASE IN GOVERNMENT-SET PRICE OF COFFEE, AND ON
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CHANGES IN TURNOVER TAX RATE ON NUMEROUS OTHER CON-

SUMER GOODS.

3. IN ORDER TO DAMPEN IMPORT AND CONSUMPTION WHICH HAS REPORTEDLY DOUBLED IN PAST TWO YEARS TO 50,000 TONS ANNUALLY (80 MILLION DOLLARS), PRICE OF RAW COFFEE HAS BEEN INCREASED BY 22 PERCENT. PRICE IN RETAIL TRADE WILL HENCEFORTH BE ABOUT 120 DINARS (SEVEN DOLLARS) PER KILOGRAM.

5. AVERAGE PRICE OF CIGARETTES WILL INCREASE 25 PERCENT, WITH IMPORTED CIGARETTES OR CIGARETTES MANUFACTURED HERE ON BASIS OF FOREIGN LICENSE UP TO 55 PERCENT COSTLIER.

5. DIESEL OIL PRICES HAVE BEEN RAISED 14 PERCENT, BUT COSTS OF GASOLINE, HEATING OIL AND INDUSTRIAL OIL REMAIN UNCHANGED.

6. TURNOVER TAXES INCREASED 15 TO 25 PERCENT ON IMPORTED COSMETICS, CARPETS, CRYSTAL, GLASS AND LEATHER GOODS, AS WELL AS ON MANY DOMESTICALLY MANUFACTURED LEATHER GOODS (WHICH ARE TO BE DIRECTED INCREASINGLY TO EXPORT MARKET).

7. OVERALL PACKAGE EXPECTED TO RESULT IN 0.82 PERCENT INCREASE IN COST OF LIVING.

9. COMMENT: PRICE AND TAX CHANGE REPRESENTS FIRST GOVERNMENT MEASURE TO IMPLEMENT PROGRAM OF SAFE-GUARDING EXTERNAL LIQUIDITY THROUGH MODERATION OF IMPORT AND STIMULATION OF EXPORT. INCREASED BUDGETARY REVENUE WILL BE USEFUL TO OFFSET INCREASED EXPENDITURES FOR DEFENSE, EXPORT CREDITS AND AGRICULTURAL CREDITS. TAX CUT ON AUTOMOBILES DESIGNED TO HELP ZASTAVA PLANT IN KRAGUJEVAC WHICH HAS BEEN FORCED TO LOWER PRODUCTION PLANS IN LIGHT OF STOCK OF 20,000 UNSOLD CARS. ALTHOUGH THERE WAS SIGNIFICANT IMPROVEMENT IN YUGOSLAV TRADE PERFORMANCE IN JANUARY 1975 - EXPORTS WERE UP 31 PERCENT OVER PREVIOUS JANUARY, DUE IN PART TO SOME SHIP DELIVERIES, UNCLASSIFIED

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WHILE IMPORTS INCREASED ONLY 23 PERCENT -- FURTHER GOVERNMENTAL MEASURES TO STIMULATE EXPORT AND REDUCE SHIPMENTS FROM ABROAD ARE QUITE POSSIBLE. TOON

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